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C O N F I D E N T I A L SANTO DOMINGO 001603

SIPDIS

STATE FOR: EB/ESC/TFS DAVID NELSON, S/CT TODD KUSHNER,
IO/PSC JOLEEN SCHWEITZER, EB/EPPD CAROL THOMPSON; TREASURY
FOR JUAN ZARATE, OFAC ROBERT WERNER

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SUBJECT: DOMINICAN REPUBLIC--TERRORISM FINANCE: 2005 UPDATE

NO. 2

REF: SECSTATE 32688

Classified By: MARY B. MARSHALL for Reasons 1.5 b and d

Responses keyed to reftel paragraph 10:

¶1. (U) The Dominican Republic has not frozen or seized any assets under UNSCR Resolutions 1267 and 1373.

¶2. (C) The Superintendent of Banks heads the government's efforts to ensure that searches of banks are conducted in a timely manner. However, weak information systems and the high degree of corruption in the country give reason to believe that exploitable weaknesses exist. For this reason the Embassy will continue to maintain a close working relationship with the Dominican Government on the issue of combating terrorism finance.

¶3. (C) In most cases Dominicans are eager recipients of training from the United States Government. NAS, LEGATT, DEA and U.S. Treasury work closely and regularly to provide training and have recently done so in the areas of financial investigations and money laundering. The Superintendent of Banks has installed a new, encrypted e-mail system that will provide more efficient and secure communication with banks. At the moment, Embassy has no further specific suggestions for training.

¶4. (C) We consider the Dominican Republic to be at low risk as a site for fundraising and medium risk for banking services related to terrorist finance. A major banking collapse in 2003 highlighted the weakness of banking controls here when it nearly destroyed the country's economy. An IMF Standby approved in January emphasizes banking reforms, including the tightening of controls. Narcotics trafficking is a significant and growing problem here. Associated funds are used by traffickers to illegally import weapons under cover of legitimate shipments. Another area of concern is legalized gambling. The Director of Internal Revenue recently put aside plans to pursue casinos for non-payment of taxes because of the strength of the gambling industry and the difficulties of controlling it in the face of ingrained corruption throughout Dominican society. It is conceivable that profits from narcotics trafficking or legalized gambling could be used for funding terrorism, but so far Embassy has seen no credible evidence that this is occurring.

MARSHALL